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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

CIVIL DIVISION

MAR 24 1969

Mr. A. W. Stratton
Deputy Administrator
Veterans Administration
Washington, D.C. 20420

Dear Mr. Stratton:

The General Accounting Office has made a review of the use of commercial banking facilities by the Washington Field Office, Veterans Canteen Service (VCS). The purpose of our review was to examine the basis for VCS's use of commercial banking facilities instead of using the financial services provided by the Treasury Department. In our review, we examined into (1) the legislation relating to the banking facilities that can be used by VCS, (2) the present VCS disbursing procedures, (3) the Treasury Department regulations relating to its disbursing facilities for Government agencies, and (4) pertinent records of the VCS Washington Field Office for the fiscal year 1968.

From the information obtained during our review, we have reached the conclusion that VCS could improve the financial condition of the Government by maintaining the cash resources of its field offices with the Treasury Department rather than with commercial depositaries. In our opinion, this action would enable the Treasury Department to use funds not now available to it without impairing VCS's operations. The details of our review are presented below.

PRESENT VCS DISBURSING PROCEDURES

One way in which public borrowing can be reduced is by keeping the Government's cash resources on deposit with the Treasury Department so that until such resources are needed they can be productively used by the Treasury. Under the existing system, some VCS funds are kept in checking accounts in commercial banks and therefore are not available to the Treasury.

The financing of VCS operations is accomplished through a revolving fund established pursuant to 38 U.S.C. 4204-4205. The law requires that VCS funds be deposited in a checking account with the Treasury Department except that the Administrator of Veterans Affairs

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is permitted to maintain checking accounts in other depositories as he deems necessary. VCS's present banking arrangements consist of (1) a checking account with the Treasury maintained by the VCS Central Office, (2) commercial bank accounts maintained primarily for the deposit of receipts by VCS canteens located at 166 Veterans Administration hospitals, domiciliaries, and centers, and (3) commercial bank accounts for each field office, each of which maintains two accounts--one for general expenses and the other for payroll expenses.

In performing our review, we limited our work to the account maintained by VCS's Washington Field Office for payment of general expenses. The canteen accounts in commercial banks were excluded because these accounts seemed a practical means of handling canteen receipts and the Field Office payroll account was excluded because we were informed that plans are being developed to include the VCS payroll in the Veterans Administration central payroll system.

SAVINGS TO THE GOVERNMENT IF TREASURY
DEPARTMENT DISBURSING FACILITIES WERE
USED BY THE WASHINGTON FIELD OFFICE, VCS

The general fund account of the Washington Field Office is used to pay for the goods and services provided by various vendors and suppliers to the canteens under the cognizance of the Field Office. The funds deposited in this account and used for payments are generally derived from funds transferred from the canteen bank accounts. Although no charge or fee is made by the commercial depository for this banking service, the Field Office is required to maintain a minimum balance in the account.

Our review disclosed that during fiscal year 1968 the average daily bank balance of the Washington Field Office's general account totaled approximately \$799,000. We estimate that, had this average balance been available to the Treasury, governmental operating costs might have been reduced by about \$34,300 during the fiscal year. This estimate consists of the estimated reduction in the cost of public borrowings, based on the average Treasury Department interest rate experienced during fiscal year 1968 on marketable obligations, reduced by the increased cost the Treasury could expect to incur in processing the volume of checks currently issued by the Washington Field Office through the general account. While we were unable to obtain the cost that the Treasury Department would incur to process deposits, we do not anticipate that this cost would be significant.

VCS OBJECTIONS TO USE OF TREASURY
DEPARTMENT DISBURSING FACILITIES

VCS officials have informed us that they are reluctant to use Treasury Department disbursing facilities because they believe (1) an

additional cost would be incurred in preparing the schedule of vouchers to be sent to the Treasury Department and (2) there is a possibility that cash discounts would be lost because of the additional time required to prepare Treasury checks and because of the lack of flexibility and control over disbursements.

Regarding the possibility of additional cost to VCS if the Treasury Department disbursing facilities were used, we were informed by a cognizant Washington Field Office official that, in his opinion, no additional work would be required if Treasury Department facilities were used in lieu of commercial banks. While there may be some administrative burden placed on the Washington Field Office personnel, we believe that it would be minimal.

Regarding the possible loss of cash discounts by using Treasury Department disbursing facilities, Treasury Department officials informed us that only about 1 day is required to process vendors' checks and that any checks for payments involving discounts are usually drawn the same day.

CONCLUSION

Our review at the Washington Field Office disclosed no information which would lead us to believe it is not practicable for VCS to use the Treasury as the depository for the general funds of all of its five field offices. In view of the savings to the Government that would accrue if Treasury facilities could be used as the depository for such funds, we believe this matter should be given very careful consideration.

RECOMMENDATION

We recommend that the Administrator of Veterans Affairs, in cooperation with the Director of the VCS, consider having its field offices utilize the disbursing facilities of the Treasury Department.

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We wish to acknowledge the cooperation the VCS personnel gave us during our review. Your comments on any action taken or contemplated on the above matter would be appreciated.

Sincerely yours,


for Max Hirschhorn
Associate Director